

UNITED STATES OF AMERICA  
POSTAL REGULATORY COMMISSION  
WASHINGTON, DC 20268-0001

Before Commissioners:

Robert G. Taub, Chairman;  
Tony Hammond, Vice Chairman;  
Mark Acton; and  
Nanci E. Langley

Competitive Product Prices  
Global Plus Contracts  
Global Plus 4

Docket No. MC2018-150

Competitive Product Prices  
Global Plus 4 (MC2018-150)  
Negotiated Service Agreements

Docket No. CP2018-216

ORDER ADDING GLOBAL PLUS 4 TO THE COMPETITIVE PRODUCT LIST AND  
DESIGNATING BASELINE AGREEMENT

(Issued July 12, 2018)

I. INTRODUCTION

The Postal Service seeks to add Global Plus 4 to the competitive product list.<sup>1</sup>  
For the reasons discussed below, the Commission approves the Request.

---

<sup>1</sup> Request of the United States Postal Service to Add Global Plus 4 to the Competitive Product List and Notice of Filing a Global Plus 4 Contract Negotiated Service Agreement and Application for Non-Public Treatment of Materials Filed Under Seal, May 10, 2018 (Request).

## II. BACKGROUND

Contracts under the Global Plus products offer price incentives to mailers that use International Priority Airmail (IPA), International Surface Air Lift (ISAL), Global Bulk Economy (GBE), Global Express Guaranteed (GXG), Priority Mail Express International (PMEI), Priority Mail International (PMI), Outbound Single-Piece First Class Package International Service (FCPIS), Commercial ePacket (CeP), and/or International Business Reply Service (IBRS).<sup>2</sup> Certain Global Plus products also allow the mailer to act as a reseller for PMEI and PMI. *Id.* § 2510.6.1(c).

Global Plus 4 differs from previous Global Plus contracts by the inclusion of prices for FCPIS and an alternate system permitting the mailer to pay customs duties to a certain country, instead of the recipient. Request at 6.

On May 10, 2018, the Postal Service filed the Request, supporting documents, and the negotiated service agreement (Agreement) it seeks to have designated as the baseline agreement for the Global Plus 4 product. See Request. The supporting documents include:

- A statement of supporting justification for adding Global Plus 4 to the competitive product list
- A copy of the Agreement
- A copy of Governors' Decision No. 11-6
- Proposed revisions to the Mail Classification Schedule (MCS)
- A certification of compliance with 39 U.S.C. § 3633(a)
- Financial workpapers

Request at 4; see *also id.* Attachments 1-5. Also, the Postal Service submitted an application for non-public treatment of materials requesting that unredacted portions of

---

<sup>2</sup> Mail Classification Schedule § 2510.6.1(a) (as revised in this Order, *infra*, to include FCPIS).

the Agreement, customer-identifying information, and related financial information remain under seal. Request, Attachment 6.

The Postal Service will establish the effective date of the Agreement after the Commission completes its review. Request at 6. The Agreement will expire August 31, 2018. *Id.*

On May 11, 2018, the Commission provided public notice of the Request, established the instant dockets, appointed a Public Representative, and invited comments on whether the Postal Service's filings are consistent with applicable statutory and regulatory requirements.<sup>3</sup>

To clarify the Request, several Chairman's Information Requests were issued.<sup>4</sup> The Postal Service filed timely replies, except for the response to CHIR No. 3, question 3.<sup>5</sup> With respect to that question, the Postal Service filed a motion for extension of time and a motion for late acceptance.<sup>6</sup>

---

<sup>3</sup> See Docket Nos. MC2018-150 and CP2018-216, Notice Initiating Docket(s) for Recent Postal Service Negotiated Service Agreement Filings, May 11, 2018.

<sup>4</sup> Chairman's Information Request No. 1, May 24, 2018 (CHIR No. 1); Chairman's Information Request No. 2 and Notice of Filing Under Seal, May 31, 2018 (CHIR No. 2); Chairman's Information Request No. 3 and Notice of Filing Under Seal, June 13, 2018 (CHIR No. 3); Chairman's Information Request No. 4, June 22, 2018 (CHIR No. 4).

<sup>5</sup> Response of the United States Postal Service to Chairman's Information Request No. 1, May 30, 2018 (Response to CHIR No. 1); Response of the United States Postal Service to Chairman's Information Request No. 2, with Portions Filed Under Seal, June 5, 2018 (Response to CHIR No. 2); Response of the United States Postal Service to Chairman's Information Request No. 3, June 18, 2018 (Response to CHIR No. 3); Response of the United States Postal Service to Chairman's Information Request No. 3, Question 3, June 20, 2018 (Response to CHIR No. 3, question 3); Response of the United States Postal Service to Chairman's Information Request No. 4, June 27, 2018 (Response to CHIR No. 4).

<sup>6</sup> Motion of the United States Postal Service for Extension of Time to File Response to Question 3 of Chairman's Information Request No. 3, June 18, 2018 (Motion for Extension) (requesting extension of time to file until June 19, 2018); Motion for Late Acceptance of Response of the United States Postal Service to Chairman's Information Request No. 3, Question 3, with Portions Filed Under Seal, June 20, 2018 (Motion for Late Acceptance).

### III. COMMENTS

The Public Representative filed comments on May 18, 2018.<sup>7</sup> No other interested person submitted comments. The Public Representative states that the contract satisfies the requirements for inclusion on the competitive product list and that treatment of the contract as the baseline agreement for Global Plus 4 is appropriate. See PR Comments at 3. He also concludes that the contract should generate sufficient revenue to cover costs. *Id.* He characterizes as reasonable the Postal Service's assertions regarding the requirements of 39 U.S.C. § 3642. *Id.*

### IV. COMMISSION ANALYSIS

The Commission has reviewed the Request, the contract, the supporting data filed under seal, the responses to the Chairman's Information Requests, and the Public Representative's comments.

*Product list requirements.* The Commission's statutory responsibilities when evaluating the Request include assigning Global Plus 4 to either the market dominant or competitive product list. See 39 U.S.C. § 3642(b)(1); 39 C.F.R. § 3020.34. Before adding a product to the competitive product list, the Commission must determine that the Postal Service does not exercise sufficient market power that it can effectively set the price of the product substantially above costs, raise prices significantly, decrease quality, or decrease output, without the risk of losing a significant level of business to other firms offering similar products. See 39 U.S.C. § 3642(b)(1). In addition, the Commission must consider the availability and nature of private sector enterprises engaged in delivering the product, the views of those who use the product, and the likely impact on small business concerns. See 39 U.S.C. § 3642(b)(3); 39 C.F.R. §§ 3020.32(f), (g), and (h).

---

<sup>7</sup> Public Representative Comments on Request of the United States Postal Service to Add Global Plus 4 to the Competitive Products List, May 18, 2018 (PR Comments).

The Postal Service asserts that other shippers who provide similar services constrain its bargaining position, and that it can neither raise prices nor decrease service, quality, or output without risking the loss of business to competitors. Request, Attachment 1 at 2-3. It notes that IPA, ISAL, FCPIS, PMEI, and PMI have all been classified by the Postal Service as competitive products by virtue of their exclusion from the postal monopoly and the level of competition in their respective markets.<sup>8</sup> The Postal Service states that the market for international delivery services is highly competitive, and that the Postal Service is unaware of any small business concerns that could offer comparable services to the contract partner. Request, Attachment 1 at 5. The Postal Service also states that small businesses may benefit from additional options for international shipping by using the services resold by the contractor partner. *See id.*

The Commission finds that the Postal Service does not exercise sufficient market power that it can effectively set the price of the proposed product substantially above costs, raise prices significantly, decrease quality, or decrease output, without the risk of losing a significant level of business to other firms offering similar products. This finding is supported by the fact that the Global Plus 4 product is similar to other Global Plus products that have been classified as competitive. Therefore the Commission concludes that Global Plus, with regard to market power, is appropriately classified as a competitive product.

---

<sup>8</sup> *Id.* at 2. The Postal Service states that CeP is a delivery confirmation service. *Id.* at 2-3. As described in the Response to CHIR No. 3 and discussed in this Order, *infra*, this description of CeP is not accurate. See Response to CHIR No. 3, questions 1-2.

The Commission has previously found products offering CeP to be competitive and adopts a similar approach here pending future proceedings to consider how CeP should be described in the MCS. See, e.g., Docket Nos. MC2017-183 and CP2017-284, Order Adding GEPS 8 to the Competitive Product List and Designating Baseline Agreement, September 27, 2017 (Order No. 4129).

Regarding the other requirements of 39 U.S.C. § 3642(b), Global Plus 4 consists exclusively of competitive products not covered by the postal monopoly. Additionally, the Postal Service competes with other businesses in the market for international shipping services, customers such as the contract partner will likely be interested in the Global Plus 4 product, and there is no evidence of an adverse impact on small businesses.

For these reasons, having considered the relevant statutory and regulatory requirements and the Postal Service's supporting justification, the Commission finds that the Global Plus 4 product is appropriately classified as competitive and adds it to the competitive product list.

*Cost considerations.* Because the Commission finds that Global Plus 4 is a competitive product, the Postal Service must also show that the Agreement covers its attributable costs, does not cause market dominant products to subsidize competitive products as a whole, and contributes to the Postal Service's institutional costs. 39 U.S.C. § 3633(a); 39 C.F.R. §§ 3015.5 and 3015.7. As long as the revenue generated by the Agreement exceeds its attributable costs, the Agreement is unlikely to reduce the contribution of competitive products as a whole or to adversely affect the ability of competitive products as a whole to contribute an appropriate share of institutional costs. In other words, if the Agreement covers its attributable costs, it is likely to comply with 39 U.S.C. § 3633(a).

The Request includes a certified statement that the Agreement complies with the requirements of 39 U.S.C. § 3633(a). Request, Attachment 5. The Postal Service also filed supporting revenue and cost data showing that the Agreement is expected to cover its costs. Based on its review of the record, the Commission finds that the rates should cover the Agreement's attributable costs. See 39 U.S.C. § 3633(a)(2). For this reason, the Commission concludes that the Agreement should not result in competitive products as a whole being subsidized by market dominant products, in accordance with 39 U.S.C. § 3633(a)(1). Similarly, the Commission finds that the Agreement is unlikely

to prevent competitive products as a whole from contributing an appropriate share of institutional costs, consistent with 39 U.S.C. § 3633(a)(3). *See also* 39 C.F.R. § 3015.7(c).

The Commission will review the cost coverage of the Agreement, the Global Plus 4 product, and the contribution of competitive products as a whole to the Postal Service's institutional costs in the Annual Compliance Determination to ensure that they continue to comply with 39 U.S.C. § 3633(a).

In conclusion, a preliminary review of the Agreement indicates that it is consistent with section 3633(a).

*Baseline agreement.* The Commission designates the Agreement as the baseline agreement for the Global Plus 4 product. Following current practice, in any future request to add a new negotiated service agreement to the Global Plus 4 product, the Postal Service shall identify all significant differences between the new negotiated service agreement and the baseline agreement. Significant differences include terms and conditions that impose new obligations or new requirements on any party to the negotiated service agreement. The docket referenced in the caption of the request should be Docket No. MC2018-150. Consistent with current practice, the request should include a redacted copy of Governors' Decision 11-6.

*Commercial ePacket Service.* The Commission previously understood "Commercial ePacket Service" to refer to a delivery-tracking optional feature for IPA and FCPIIS available with certain Global Expedited Package Service (GEPS) and Global Plus products.<sup>9</sup> The Postal Service described CeP as such an optional feature in

---

<sup>9</sup> MCS §§ 2510.3.5 and 2510.6.5.

multiple filings across multiple dockets, including the instant proceeding.<sup>10</sup>

However, in the instant docket the Postal Service has also described CeP as “a bulk international service for mailing FCPIS items.”<sup>11</sup> When the Commission asked the Postal Service to confirm that “Commercial ePacket Service” refers to a delivery-tracking add-on service, the Postal Service did not confirm this definition, instead it described CeP as “designed for volume shipments of outbound international single-piece packet items with tracking events provided.”<sup>12</sup> The Postal Service additionally described CeP as “distinct” and provided a table contrasting CeP with both IPA and FCPIS. Response to CHIR No. 3, question 2.

Based on the most recent Postal Service representations, the Commission finds that the current description of CeP in the MCS as an optional feature for other products does not adequately describe the service in question.<sup>13</sup> In particular, CeP is selected by the customer in lieu of either IPA or FCPIS, rather than in addition to an existing product, as is the case for all other optional features.<sup>14</sup>

---

<sup>10</sup> See, e.g., Request, Attachment 1 at 2-3 (describing CeP as a delivery confirmation service); Response to CHIR No. 2, question 1 (describing proposed MCS changes as revising CeP offered with Global Plus contracts from being an optional feature for IPA to being an optional feature for FCPIS); Docket Nos. MC2017-183 and CP2017-284, Response of the United States Postal Service to Chairman’s Information Request No. 1, September 26, 2017 (confirming as accurate the Commission’s proposed definition of CeP as an optional delivery tracking service for FCPIS when offered with GEPS contracts); Docket Nos. MC2012-6, CP2012-12, and CP2012-16, Request of the United States Postal Service to Add Global Plus 1C to the Competitive Products List and Notice of Filing Two Functionally Equivalent Global Plus 1C Contracts Negotiated Service Agreements and Application for Non-Public Treatment of Materials Filed Under Seal, January 4, 2012, Attachment 2C at 6 (proposing defining CeP as an optional “delivery confirmation with scanning service available for IPA items” when offered with Global Plus contracts).

<sup>11</sup> Response to CHIR No 2, question 1.

<sup>12</sup> See CHIR No. 3, question 1; Response to CHIR No. 3, questions 1-2.

<sup>13</sup> This inaccuracy has existed since CeP was first introduced in 2012 in Docket Nos. MC2012-6, CP2012-12, and CP2012-16.

<sup>14</sup> See *id*; see generally MCS §§ 2100, 2300, and 2500.



However, consideration of whether CeP should instead be added to a product list as its own product is beyond the scope of this docket.<sup>15</sup> To enable the Commission to consider how best to describe CeP in the MCS, the Postal Service is ordered to, within 30 days of the issuance of this Order, file a request under 39 C.F.R. § 3020, subpart B to add Commercial ePacket Service to either the market dominant or competitive product list.<sup>16</sup>

*Other considerations.* The Postal Service's Motion for Extension and Motion for Late Acceptance are granted.

The Postal Service will establish the effective date of the Agreement after the Commission completes its review. Request at 6. The Agreement will expire on August 31, 2018.<sup>17</sup> If the Agreement terminates before the scheduled expiration date, the Postal Service shall promptly notify the Commission in this docket.

In conclusion, the Commission approves Global Plus 4 as a new product and designates the Agreement as the baseline agreement for the Global Plus 4 product. Revisions to the competitive product list and the MCS appear below the signature of this Order and are effective immediately.<sup>18</sup>

---

<sup>15</sup> See 39 C.F.R. § 3020, subparts B, C, D (describing procedures for requesting a product be added to a product list).

<sup>16</sup> 39 U.S.C. § 3642(e) prohibits the Postal Service from offering any product involving the physical delivery of letters, printed matter, or packages unless it has been assigned to the market dominant or competitive category of mail. The products offering CeP (certain GEPS and Global Plus products) each appear on the competitive product list and thus may continue to be offered, even while the appropriate categorization of CeP remains pending. The Postal Service cannot (and to date does not) offer CeP as a standalone product unless and until it is added to either the market dominant or the competitive product list.

<sup>17</sup> *Id.* There is some ambiguity in the Agreement regarding the expiration date, apparently resulting from the inclusion of boilerplate language that is unnecessary when a fixed expiration date has been provided. Request, Attachment 4 at 8-9. The Commission construes the expiration date as August 31, 2018.

<sup>18</sup> Due to the forthcoming proceedings regarding CeP, the Commission does not adopt the Postal Service's proposed MCS changes relating to CeP.

V. ORDERING PARAGRAPHS

*It is ordered:*

1. The Motion of the United States Postal Service for Extension of Time to File Response to Question 3 of Chairman's Information Request No. 3, filed June 18, 2018, and the Motion for Late Acceptance of Response of the United States Postal Service to Chairman's Information Request No. 3, Question 3, with Portions Filed Under Seal, filed June 20, 2018, are granted.
2. Global Plus 4 (MC2018-150 and CP2018-216) is added to the competitive product list as a new product. Revisions to the competitive product list and the MCS appear below the signature of this Order and are effective immediately.
3. The Commission designates the Agreement as the baseline agreement for the Global Plus 4 product.
4. The Postal Service shall promptly notify the Commission of the effective date of the Agreement.
5. If the Agreement terminates before the scheduled expiration date, the Postal Service shall promptly notify the Commission in this docket.
6. Within 30 days of the issuance of this Order, the Postal Service shall file a request under 39 C.F.R. § 3020, subpart B to add Commercial ePacket Service to either the market dominant or the competitive product list, as described in the body of this Order.

7. The Secretary shall arrange for publication in the *Federal Register* of an updated product list reflecting the change made in this Order.

By the Commission.

Stacy L. Ruble  
Secretary

## CHANGE IN PRODUCT LIST

The following material represents changes to the product list codified in Appendix B to 39 C.F.R. part 3020, subpart A—Competitive Product List. These changes reflect the Commission’s order in Docket Nos. MC2018-6 and CP2018-11. The Commission uses two main conventions when making changes to the product list. New text is underlined. Deleted text is struck through.

### **Appendix B to Subpart A of Part 3020—Competitive Product List**

\*\*\*\*\*

#### **Negotiated Service Agreements\***

\*\*\*\*\*

Outbound International\*  
Global Plus Contracts

\*\*\*\*\*

Global Plus 4

\*\*\*\*\*

CHANGE IN MAIL CLASSIFICATION SCHEDULE  
CHANGE IN PRODUCT LIST

The following material represents a change to the Mail Classification Schedule. The Commission uses two main conventions when making changes to the Mail Classification Schedule. New text is underlined. Deleted text is struck through.

**Part B—Competitive Products**  
**2000 Competitive Product List**

\*\*\*\*\*

**Negotiated Service Agreements\***

\*\*\*\*\*

Outbound International\*  
Global Plus Contracts

\*\*\*\*\*

Global Plus 4

\*\*\*\*\*

**2500 Negotiated Service Agreements\***

\*\*\*\*\*

**2510 Outbound International**

\*\*\*\*\*

**2510.6 Global Plus Contracts**

2510.6.1 Description

- a. Global Plus Contracts provide prices for any combination of the following: International Priority Airmail (IPA), International Surface Air Lift (ISAL), Global Bulk Economy (GBE), Global Express Guaranteed (GXG), Priority Mail Express International (PMEI), Priority Mail International (PMI), Outbound Single-Piece First Class Package International Service (FCPIS), Commercial ePacket (CeP), and International Business Reply Service (IBRS). These contracts are for high-volume mailers ~~or Postal Qualified Wholesalers and are the only contract vehicles for IPA, ISAL, GBE, and CeP mailings.~~
- b. The contracts include all destinations served by IPA, and/or ISAL, ~~and/or GBE, and/or GXG, and/or PMEI, and/or PMI, and/or FCPIS, and/or CeP, and/or IBRS, as specified by the Postal Service.~~ The preparation requirements are similar to the preparation requirements for all IPA shipments, and/or ISAL shipments, and/or GBE shipments, and/or GXG shipments, ~~and/or PMEI shipments, and/or PMI shipments, and/or CeP shipments, and/or IBRS shipments~~ that are set forth in the International Mail Manual. Mailer Preparation Requirements are separately provided for PMEI

Presort Drop Shipment shipments, and/or PMI Presort Drop Shipment shipments, and/or FCPIS Presort Drop Shipment shipments, and/or CeP shipments, but may vary for certain PMEI shipments, and/or PMEI shipments. The mailer may use Postal Service-supplied labeling software, or a non-Postal Service-supplied labeling software that has the same functionality as the Postal Service-supplied labeling software for PMEI and PMI shipments. The software allows for preparation of address labels and customs declarations and submission of electronic shipment information to the Postal Service, as well as prepayment of customs duties and taxes and pre-advice for foreign customs authorities by the Postal Service. The mailer may be required to prepare specific shipments according to country specific requirements.

- c. Certain Global Plus Contracts may also allow for the contract holder to act as a Reseller and provide discounted prices to a reseller for PMEI, and PMI, and FCPIS for destinations serviced by PMEI, and PMI, and FCPIS. The contract holder as reseller offers prices based on its contract to its customers (reseller's customers). Preparation requirements are the same as for all PMEI, and PMI, and FCPIS shipments with the following exceptions:
- The reseller's customer is required to use PC Postage from an authorized PC Postage vendor, or any other postage payment method authorized by the Postal Service under the contract holder's Global Plus contract.
  - The reseller's customer may be required to prepare certain shipments according to country specific requirements.
  - The reseller's customer may be required to tender shipments through limited acceptance channels.

\*\*\*\*\*

## 2510.6.2 Size and Weight Limitations

\*\*\*\*\*

### *Packages (Small Packets)*

	Length	Height	Thickness	Weight
Minimum	large enough to accommodate postage, address, and other required elements on the address side			none
Maximum	24 inches			4 pounds <u>for</u>
	Length plus height plus thickness of 36 inches			<u>FCPIS</u> 4.4 pounds for <u>CeP, IPA, and ISAL</u>

*Rolls*

	<b>Length</b>	<b>Length plus twice the diameter</b>	<b>Weight<sup>1</sup></b>
Minimum	4 inches	6.75 inches	none
Maximum	36 inches	42 inches	4 pounds for <u>FCPIS</u> 4.4 pounds for CeP, IPA and ISAL

\*\*\*\*\*

2510.6.3 Minimum Volume or Revenue Requirements

Mailers must commit to tender varying minimum volumes or postage on an annualized basis. ~~The minimum volume requirement for GBE is 100 pounds per mailing. If paying through permit imprint, the mailer is required to meet the minimum volume or weight requirements in effect for manifest mailings. For PMEI paid through an USPS Corporate Account (USPSCA), there is no minimum volume requirement per mailing.~~

2510.6.4 Price Categories

The discount percentage or price, as applicable to the service, is dependent upon volume or postage commitment on the part of the customer. ~~Additional tiered discounts are available if the mailer exceeds the minimum volume or postage commitment. Also, separate charges apply if the customer uses labeling, harmonization, or return services.~~

The following price categories are available for the product specified in this section:

\*\*\*\*\*

- Global Plus – FCPIS

\*\*\*\*\*

2510.6.5 Optional Features

The following additional postal services may be available in conjunction with the product specified in this section:

- Pickup On Demand Service: PMEI, and PMI, and FCPIS only
- International Ancillary Services (2615)
  - International Certificate of Mailing: FCPIS/PA, PMI Flat Rate Envelope only (2615.1)
  - International Insurance: GXG, PMEI, PMI parcels only (2615.5)
  - International Return Receipt: PMEI, PMI only (2615.3)

\*\*\*\*\*

- Duty and Tax Chargeback
  - At the mailer's request, for certain destinations for which the Postal Service has made arrangements with the destination country postal operator, the Postal Service may offer destination country duty and tax chargeback service, through which custom duties and taxes are paid by the mailer in lieu of the recipient.
- ~~Software-Related Services: PMEI and PMI only~~
  - ~~○ Labeling~~  
~~At the mailer's request, the Postal Service will arrange for labels and customs declarations to be applied.~~
  - ~~○ Harmonization~~  
~~At the mailer's request, the Postal Service will arrange for classification of merchandise according to country specified customs regulations to determine applicable duties and taxes.~~
  - ~~○ Returns~~  
~~At the mailer's request, the Postal Service will contract with a returns center appropriate for the particular country. The returns center inspects the goods it receives from the mailer's customers and returns the goods in bulk to the mailer in the United States. The Postal Service invoices the mailer for appropriate charges. The Postal Service may also charge for certain Priority Mail Express International and Priority Mail International undeliverable as-addressed returns when Customs duties have been prepaid.~~



2510.6.6 Products Included in Group (Agreements)

Each product is followed by a list of agreements included within that product.

\*\*\*\*\*

- Global Plus 4  
Baseline Reference  
Docket Nos. MC2018-150 and CP2018-216  
PRC Order No. 4709, July 12, 2018  
Included Agreements